

APR 29 1992

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National
Credit
Union
Administration

1991
Annual
Report

*N*CUA's mission is to ensure the safety

*and soundness of credit unions and to provide a
flexible regulatory environment which will facilitate
sound credit union development, while efficiently
and effectively managing the agency's resources
and the Share Insurance Fund.*

Contents

■ Board Statement	3
■ Administration	4
■ R.I. Crisis	5
■ Legislation	6
■ Regulation	7
■ Enforcement	8
■ Litigation	9
■ GAO Study	10
■ Special Credit Unions	11
■ Insurance Fund	12
■ ALMC	14
■ CLF	14
■ Financial Results	15
■ Price Waterhouse Audit Report	15
■ Credit Union Statistics	21
Federal Credit Unions	30
State Credit Unions	32
Corporate Credit Unions	33
■ Historical Highlights	35
■ Officers	36

■ *The National Credit Union Administration is an independent federal agency that supervises and insures 8,229 federal credit unions and insures 4,731 state-chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.*

■ *This 1991 NCUA Annual Report is an official report to the President and the Congress of the United States.*

National Credit Union Administration
1776 G Street Northwest
Washington, D.C. 20456

Financial Highlights

1991

National Credit Union Administration

1991 Budget	\$ 77.2 million
Actual Expenses	75.8 million
Operating fee income from federal credit unions	36.7 million
Expenses transferred to Share Insurance Fund	37.9 million
Miscellaneous income	2.6 million
Operating fund balance	9.5 million

National Credit Union Share Insurance Fund

Total insured shares (June 30)	\$196.7 billion
Total assets	2.5 billion
Gross income	207.4 million
Net income	4.1 million
Operating expenses	40.4 million
Insurance losses	163.0 million
Reserve for losses	130.8 million
Equity ratio (fund balance as percentage of insured deposits)	1.23 percent

NCUA Central Liquidity Facility

Total assets	\$ 633.2 million
Capital stock and retained earnings	505.3 million
Total loans	114.6 million
Net income	29.6 million
Dividends paid	29.0 million
Reserves	9.6 million

Federally Insured Credit Unions, December 31

Number of credit unions	12,960
Total assets	\$225.2 billion
Capital/equity to assets	7.7 percent
Share growth	13.4 percent
Ratio of loans to shares	64.9 percent
Delinquency ratio	1.6 percent
Net income growth	32.2 percent

The fiscal year of NCUA, the Share Insurance Fund, and CLF begins October 1 and ends September 30.
The insurance year begins July 1. Credit union data is based on the calendar year.

Dedication

This 1991 Annual Report is dedicated to Charles H. Bradford, chief economist of the National Credit Union Administration from 1986 until his death in December 1991. During his six years with the agency, Dr. Bradford

conducted a research program which will be of lasting benefit to NCUA and credit unions. In 1990, he was recognized for his work with NCUA and in other positions with the federal government when he received a Presidential Award for Outstanding Federal Employees With Disabilities. His charm and spirit will be remembered by all who knew him.



A Momentous Year

The year 1991 tested the agency and its people with unexpected events and unprecedented workloads. It was a momentous year, right from the start.

It began on New Year's Day when the governor of Rhode Island closed 35 credit unions after their private insurer collapsed. That crisis flooded the agency with applications for federal insurance and required enormous efforts by regional offices, examiners, and other staff.

During 1991, three important studies concluded that credit unions and the National Credit Union Share Insurance Fund were in excellent condition. Of the three, the most significant was the two-year General Accounting Office study. The NCUA Board welcomed this scrutiny and adopted many GAO recommendations.

Financial institutions including credit unions made headlines throughout 1991 as Congress struggled with the serious problems of the banking industry. Credit unions emerged unscathed from that year-long debate.

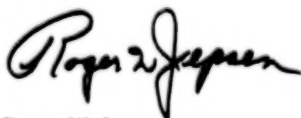
In spite of an economic recession, most credit unions remained safe and sound throughout 1991. However, the severe problems of a very few substantially increased costs to the Share Insurance Fund. To reflect overall credit union strength, the Board levied an insurance premium for the first time since 1984.

Also in 1991, NCUA co-hosted the first, very successful conference of international credit union regulators. Regulators from every continent gathered in Madison, Wis., to discuss credit union supervision and development.

The Board in 1991 also considered important regulations affecting business lending, credit union investments, and corporate credit union practices.

Finally, after operating for many months with only two members, a third was confirmed in October. The Board welcomed Shirlee Pearson Bowné and is pleased to be at full strength once again.

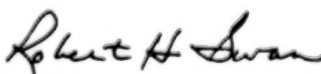
Looking ahead to 1992 and beyond, the Board believes the credit union system is prepared to meet its challenges. NCUA will share in making that future safe, sound, and successful.



Roger W. Jepsen
Chairman of the Board



Shirlee P. Bowné
Vice Chairman



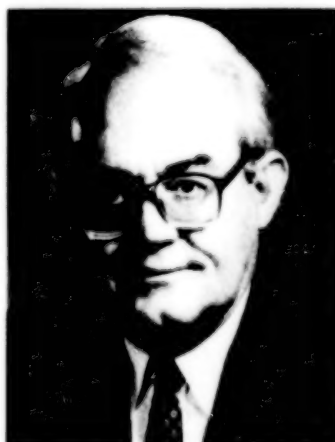
Robert H. Swan
Member of the Board



Roger W. Jepsen



Shirlee P. Bowné



Robert H. Swan

Agency Responds to New Needs, Unexpected Events

NCUA carried out its mission in 1991 at the same time management responded to unexpected events, improved agency operations, and made decisions about the future.

The unexpected included an avalanche of credit union applications for federal insurance and a national economic recession. These combined to substantially increase the agency's workload. Although credit unions across the country remained healthy and strong, the New England situation warned of what could happen elsewhere. Congressional mandates and the recommendations of the General Accounting Office required many additional hours of staff time.

To meet all of these demands and to prepare for predictable future needs, NCUA Executive Director Donald E. Johnson recommended in April that the Board authorize hiring 62 additional examiners. He also recommended moving supervision of New Jersey credit unions from Region I to Region II.

The decision to increase the examiner staff meant giving highest priority to recruiting and hiring high-caliber professionals. But NCUA did not neglect other essential elements of high quality supervision. It continued to improve its technology and training, fine-tuning and expanding current programs, and developing new tools and techniques.

Looking ahead, the NCUA Board decided in November, after many months of study, to purchase a building to be constructed within the Washington metropolitan area. NCUA will occupy the Alexandria, Va., building in 1993 and, by doing so, will save about \$2 million each year—a 15-year saving of \$30 million.

The Board decided to seek new quarters when the management of NCUA's present building said rent will triple when the lease expires. The agency's commitment to staff training also requires more space than is now available. Training and conferences can be held in the new building at considerable savings over the off-site locations currently being used.



Donald E. Johnson
Executive Director

Management studied the residential and commuting patterns of staff. Other factors in the decision on where to relocate were the accessibility of transportation, hotel accommodations and other services, and safety.

To purchase a building, the agency will borrow nearly \$42 million from the Share Insurance Fund and repay it over 15 years at prevailing interest rates. Savings of \$30 million in the first 15 years could approach \$50 million in the second 15-year period.

And finally, the Board ended 1991 on a good note. On the recommendation of staff, it held the line on the operating fee for federal credit unions and did not increase rates.

A crisis that had been building over several months erupted on New Year's Day when Rhode Island Governor Bruce Sundlun closed 45 privately insured, state-chartered financial institutions—35 of them credit unions.

For six weeks, at the state's request, special teams of NCUA examiners had worked around the clock and through the holidays to determine the insurability of the affected credit unions. When Governor Sundlun acted on January 1, NCUA was ready to announce that 22 credit unions would reopen with federal insurance.

Under the supervision of Chairman Roger W. Jepsen, NCUA managed its response to the Rhode Island closure from a crisis-control center in Providence. Later, Governor Sundlun lauded NCUA's efforts when he appeared before the House Banking Committee.

Within hours after the state acted, reporters began to speculate about the viability of other state or private insurers. State legislators across the country added to the crisis environment by calling for mandatory federal insurance. In the U.S. House of Representatives, the banking committee chairman introduced legislation to require federal insurance for all depository institutions.

Reacting to the crisis, privately insured credit unions across the country flooded NCUA with requests for federal insurance. On the front line, NCUA regional offices worked closely with state officials to make it a smooth transition.

To handle the workload, NCUA—

- Reassigned examiners,
- Recalled retirees,
- Authorized overtime pay,
- Reduced the exam time for well-capitalized healthy credit unions,
- Deferred some training programs,
- Canceled most staff speaking engagements, and
- Reduced meeting and committee assignments.

By year end, almost 800 credit unions in 14 states had applied for federal insurance. Of that number, 577 with assets of \$8 billion were approved and 508 had made their 1 percent deposit in the Share Insurance Fund.

*By year end,
577 credit unions
with assets of \$8 billion
were approved for
insurance.*

Banking Legislation

Was Headline News

The legislative year 1991 began with a bill proposing to create two new super agencies—one to insure and the other to regulate all depository institutions, including credit unions. It ended 11 months later with the approval of only a very narrow banking bill.

Throughout the year, banking legislation made headline news as Congress struggled with the serious problems engulfing the banking sector. Unable to resolve the differences between competing interests, Congress recapitalized the Bank Insurance Fund and went home.

The Administration based its legislative package on the U.S. Treasury Department's study of the deposit insurance system. Mandated by Congress, the report gave high marks to credit unions and the National Credit Union Share Insurance Fund. But it also proposed that credit unions expense their 1 percent insurance fund deposit and that a U.S. Treasury representative sit on the NCUA Board. Neither proposal survived.

The General Accounting Office report, issued in July, proposed a number of safety and soundness improvements which required legislative action. These included minimum capital and reserve standards, a new operating level for the insurance fund, and a new cap on credit union lending to one member.



Robert E. Loftus
Director, Office of Public and
Congressional Affairs

However, credit union trade associations mounted a last minute campaign and these provisions were deleted from the final bill. In the end, new requirements for privately insured credit unions and private deposit insurers were substituted for a provision requiring federal deposit insurance.

The consumer provisions of Public Law 102-242 require financial institutions to disclose interest rates and fees in a clear and uniform manner. However, NCUA regulations can take into account the unique nature of credit unions and their limitations on paying dividends. The act also encourages banks to invest in community development credit unions in exchange for community enterprise assessment credit.

*T*reasury study
gave high marks to
credit unions and Share
Insurance Fund.

Board Accepts New Restraints

The NCUA Board placed new limits on member business loans and credit union investments in 1991 and proposed a major re-write of its rules governing corporate credit unions.

The business loan rule targets credit union lending for speculative business purposes. Although less than 2 percent of all lending, business lending accounted for 81 percent of insurance losses in 1991, almost twice the 1990 ratio. Although only 10 percent of federally insured credit unions make business loans, poorly reserved and problem credit unions hold a disproportionate share of business loans.

After two public comment periods, the rule as finally approved establishes new lending limits and new reporting and reserving requirements. It also requires written loan policies and the use of experienced loan officers.

The other major 1991 rule change governs credit union investments and also requires written policies, at least an annual policy review, and prohibits certain high-risk investments by federal credit unions. If state rules permit these investments, the rule requires the affected credit unions to establish special reserves.

Prohibited investments, except under limited conditions, include stripped mortgage-backed securities, residual interest on collateralized mortgage



*Robert M. Fenner
General Counsel*

obligations (CMOs), real estate mortgage investment conduits, and other CMO investments with high average life volatility. The rule also prohibits investments by federal credit unions in corporate credit unions which do not comply with NCUA rules.

The corporate rule recognizes the increasing importance of corporates in the credit union system and seeks to ensure that corporates remain true to the democratic, cooperative philosophy of credit unions.

The proposed rule expands corporate investment powers, subject to safety and soundness controls, and establishes reserving requirements which address credit risk, interest rate risk, and liquidity risk. It also limits borrowing to 10 times capital unless approved by the appropriate NCUA regional director.

Enforcement Actions

Although the need for enforcement action is rare among credit unions, enforcement actions are a growing part of NCUA's overall responsibility.

This seeming contradiction can be explained by the growing complexity of today's credit unions and their financial transactions. New federal law is also a factor.

Enforcement powers include removal and prohibition, cease and desist orders, civil money penalties, and termination of insurance. Prohibition orders prevent officers or employees found guilty of misdemeanors or fraud from working again in any other financial institution without the permission of the regulator. Also in 1989, Congress gave NCUA authority to assess civil money penalties.

In addition to enlarging the grounds for the use of these enforcement powers, Congress required financial regulators to make public all final

enforcement orders. This disclosure tends to increase public awareness of wrongdoing and its consequences.

During 1991, NCUA issued 51 enforcement orders compared to 30 actions in 1990. These included 18 removals or prohibitions, 12 cease and desist orders, and 21 civil money penalties. In 1991, the NCUA Board assessed money penalties against—

- A credit union manager who hid the credit union's records from an examiner,
- Each member of a credit union's board of directors that violated a cease and desist order,
- Each member of a board for numerous violations of state and federal laws and regulations, and
- Two credit unions for flagrant failure to file required reports.

Prohibition and removal actions were taken against—

- An accountant for numerous negligent credit union audits,
- A manager for "cooking the books," and
- Individuals, based on indictments or conviction for crimes involving breach of trust or dishonesty.

Cease and desist proceedings were brought—

- To seek restitution from an accountant who improperly negotiated a credit union payment,
- To order a credit union not to interfere in an NCUA conservatorship action,
- To seek restitution from a credit union manager for making loans in violation of NCUA's business lending regulation, and
- To require an auditing firm to comply with Generally Accepted Auditing Standards and generally accepted guidelines for identifying problem loans.

Also in 1991, NCUA joined with the other four federal financial regulators to establish the Office of Financial Institution Adjudication to hear formal administrative enforcement actions.

*E*nforcement
actions are a growing
part of NCUA's overall
responsibility.

Litigation Prevents, Recovers Losses

Litigation to recover insurance losses suffered by the Share Insurance Fund and to prevent or recover losses for a credit union sometimes requires years of legal proceedings.

The two largest insurance losses in credit union history, dating back to 1986 and 1989, still accounted for the largest number of suits in litigation in 1991. Both involved fraud.

Franklin Community Credit Union, Omaha, tops the list with 13 suits in litigation at year end. Fraud by officers of HYFIN Credit Union, Brooklyn, uncovered in 1986, is the subject of nine ongoing suits. Six people were convicted in each case.

Undetected crime can seriously damage credit unions and ultimately the Share Insurance Fund. Although unlawful activity is rare in credit unions, NCUA uses two programs to ensure detection. Cash awards, authorized by Congress in 1990, are offered for information resulting in substantial civil or criminal money penalties.

In the aftermath of the Franklin case, NCUA established a toll-free "fraud hotline" for credit union employees and others to use to report suspected illegal activities anonymously. An attorney or the appropriate regional office investigates every call. As a result, some cases of fraud have been uncovered.

*U*ndetected
crime can seriously
damage credit unions
and ultimately the
Share Insurance Fund.

Lawsuits in which the agency is involved number in the hundreds at any time. Most are routine, such as collections or foreclosures for liquidated or conserved credit unions. In these cases NCUA stands in the shoes of the credit union as either plaintiff or defendant.

The remaining lawsuits include—

- Challenges to agency determinations,
- Appeals from enforcement actions,
- Personnel matters,
- Claims for negligence or breach of contract,
- Suits growing out of liquidations or conservatorships, and
- Federal Tort Claim matters.

From 1989 through 1991, the U.S. General Accounting Office studied NCUA and the credit union system—the most intense and in-depth professional scrutiny in credit union history.

Such scrutiny could not help but influence NCUA's operations during the study period. By the time the GAO published its comprehensive report in July, NCUA had adopted or was preparing to act on many of GAO's recommendations.

Those recommendations and NCUA's actions follow.

Quarterly Financial Reporting.

At the end of March 1992, federally insured credit unions over \$100 million in assets will file quarterly reports for the first time. Quarterly reporting by credit unions of \$50 million or more in assets will begin in 1993.

Expanded Financial Reporting.

NCUA expanded its required data for year end 1990 reports, and projects further expansion of required data as credit union complexity grows.

Stronger Real Estate Regulation.

NCUA research studies and real estate lending guidelines issued in Letters to Credit Unions helped improve their underwriting and lending policies. NCUA will adjust real estate regulations as necessary.

Tighter Commercial Lending Rules. The NCUA Board adopted a revised member business loan rule in 1991.

Monitoring Controls. GAO recommended a number of improvements in NCUA's monitoring of the ongoing financial status of federally insured credit unions. NCUA has developed and adopted new monitoring tools and methods.

Resolving Problems and Assisting Failing Credit Unions. New quality controls, approval policies, tracking and monitoring criteria are in place.

Improving the Corporate System. The timeliness and level of corporate reporting is significantly improved. NCUA also increased its corporate oversight, monitoring and follow-up. In 1991, the agency proposed a major revision of Part 704 of NCUA Rules and Regulations governing corporates, based on GAO recommendations.

Calendar Year. NCUA proposes to place the operations of the Share Insurance Fund and the agency on a calendar year basis by 1993.

The NCUA Board and Congress disagreed with the following GAO conclusions:

- Requiring credit unions to expense their 1 percent deposit in the Share Insurance Fund,
- Separating the supervisory and insurance functions within NCUA,
- Including the chairman of the Federal Reserve Board and the secretary of the U.S. Treasury as ex officio members of the NCUA Board, and
- Dissolving the Central Liquidity Facility.

Two NCUA Programs

Serve Special People

The NCUA Board in 1991 approved policies to improve programs for credit unions providing financial services to two often under served groups—college students and people living in low-income communities.

Following a two-year study and pilot program, the Board lifted its moratorium on the chartering of college student credit unions and established new chartering and supervisory policies for these credit unions. At present, 24 student-operated credit unions or branches of other credit unions serve college students.

Another program for credit unions serving members with special needs—the Community Development Revolving Loan Program—completed a second successful year under NCUA management. Created by Congress, its purpose is to help credit unions provide basic financial services

and stimulate economic development in low-income communities.

In 1991, 23 low-income credit unions received loans totaling \$3.3 million at the below-market interest rate of 3 percent. Twelve credit unions received loans in 1990. At year end, 34 credit unions had outstanding loans totaling \$4.5 million and there were no delinquent loans. Loan balances ranged from \$25,000 to \$200,000, and the cash balance was \$2.1 million at year end.

Credit unions are eligible for loans of up to \$200,000 if a majority of their members are designated as low income by federal guidelines, if they are in good financial condition, and have an acceptable plan for use of the funds. Credit unions must match their loans with an increase in member funds.

At year end as it prepared to accept 1992 applications, the NCUA Board revised its policies to better reflect current market conditions. Interest rates can now range between 1 and 3 percent. It also eased the time in which a credit union must meet its matching requirement.

*Community
Development Revolving
Loan Program completed
second successful year
under NCUA management.*

Share Insurance Fund

Reaches \$2.3 Billion

Total fund capitalization of the National Credit Union Share Insurance Fund reached \$2.3 billion at the end of fiscal year 1991 in spite of record insurance losses.

Although both credit unions and the fund remained healthy and strong, the NCUA Board in September assessed the first insurance premium since 1984. The Board acted so that the fund would continue to reflect the overall strength of the credit union system.

The agency recognized one quarter of the premium revenue, \$41.2 million, as income in fiscal year 1991, bringing total revenue for the year to \$267.4 million. After administrative costs of \$40.4 million and losses of \$163 million, net income for fiscal year 1991 was \$4.1 million—compared to a net income of \$35.1 million in 1990.

In fiscal year 1991, 89 involuntary liquidations and 41 assisted mergers brought total failures to 130 compared to 164 in 1990. Although fewer credit unions failed, their closing cost \$77 million compared with \$49 million in 1990. The largest loss in 1991, \$20.9 million, resulted from the failure of Barnstable Community Federal Credit Union, Hyannis, Mass.

Losses per \$1,000 of insured shares climbed from 51 cents in 1990 to 83 cents in 1991, for a five-year average of 53 cents. Of the \$163 million in total



*D. Michael Riley
Director, Office of
Examination and Insurance*

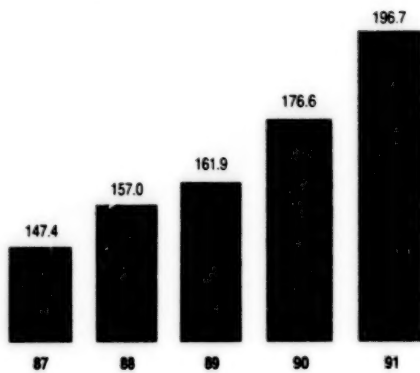
losses in 1991, 76 percent was due to federal credit union failures, up from 71 percent in 1990. For every \$1,000 of insured shares, federal credit union insurance losses cost 99 cents, compared to 56 cents for federally insured state credit unions.

The Share Insurance Fund provides cash and non-cash assistance to financially impaired credit unions that have resolved their problems. On September 30, 52 credit unions had non-cash assistance of \$179.5 million in capital guaranty accounts and nine had \$35.1 million of cash assistance outstanding.

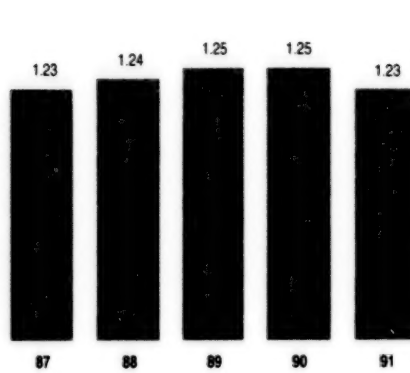
The Share Insurance Fund's equity ratio—the fund's balance as a percentage of insured shares—reached 1.26 percent on June 30, the end of the insurance year. In July, when the new midyear share base was used to calculate the ratio, it fell to 1.23 percent where it remained through the end of the fiscal year. On December 31, the ratio was 1.24.

By federal statute, Share Insurance Fund investments are limited to direct obligations of the U.S. Treasury or securities guaranteed by the U.S. Government. On September 30, 51 percent of the fund's investments had maturities of one year or less and none had maturity dates of more than three years. Reflecting lower interest rates, the average 1991 investment yield was 7.84 percent compared to 8.22 percent in 1990.

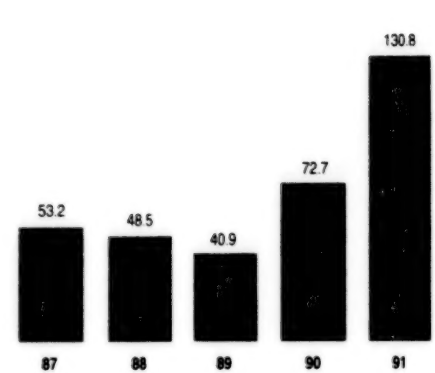
Total Insured Shares
(in billions—June 30)



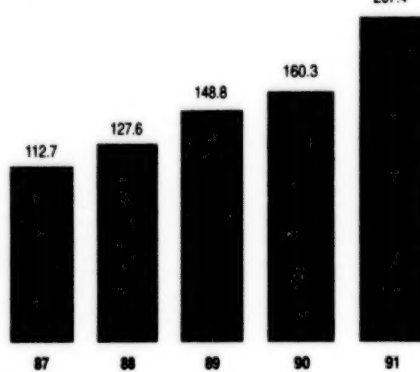
NCUSIF Equity Ratio
(by percent)



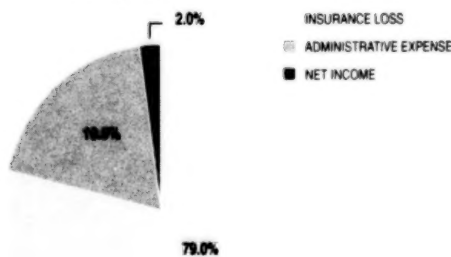
NCUSIF Reserves
(in millions)



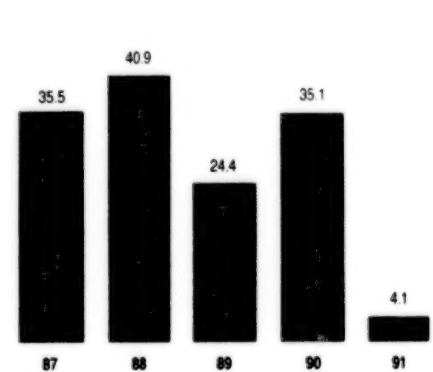
NCUSIF Gross Income
(in millions)



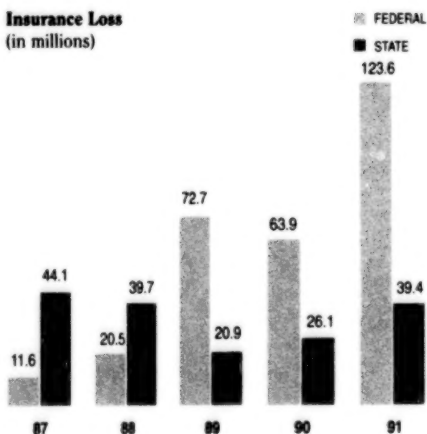
Income and Expense



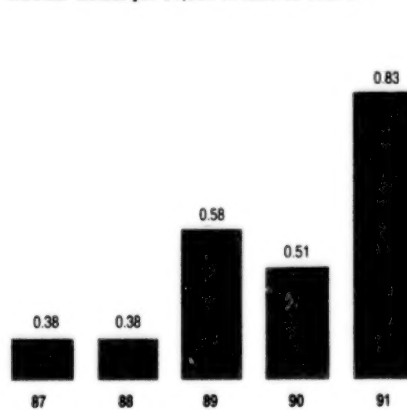
NCUSIF Net Income
(in millions)



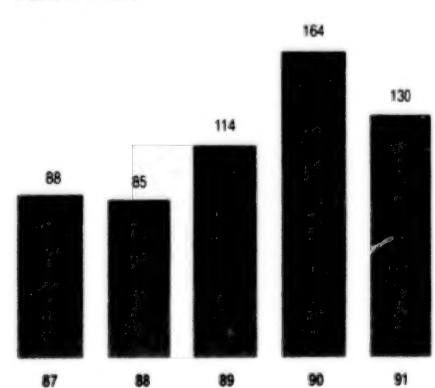
Insurance Loss
(in millions)



NCUSIF Losses per \$1,000 of Insured Shares



Involuntary Liquidations and Assisted Mergers
Number of Cases



ALMC, CLF Reports

In 1991, NCUA successfully completed the consolidation of its asset management and liquidation functions within the Asset Liquidation Management Center in Austin, Texas.

The ALMC carried out its assignments in 1990 under considerable duress—before systems, staff, and support functions were in place. During 1991, the ALMC acquired adequate space and reached full staffing. NCUA's Office of Information Systems almost completely rebuilt the computer system and by May computer-generated records were problem free.

With staff and systems in place, ALMC reduced the average liquidation

payout period to less than three days. It proved capable of managing assets on a national scale and had increased returns from acquired assets.

During 1991, ALMC—

- Managed 153 liquidations of which 40 were completed,
- Managed \$131 million in consumer loans, and collected \$30.1 million,
- Sold 79 properties for \$16.4 million,
- Managed some 800 assets with a book value of \$94 million, and
- Settled 22 bond claims totaling \$5 million.

CThe Central Liquidity Facility, a source of short-term funds for the credit union system, paid dividends of \$29 million to its member credit unions in 1991. This is a 6.2 percent return on member capital and deposits.

At the end of the fiscal year, September 30, CLF had total assets of \$633.2 million, and \$114.6 million in outstanding loans, up from \$66.6 million in 1990.

In 1991, CLF had net income of \$29.6 million and total operating expenses of \$858,609, less than the \$893,000 budget approved by Congress. Reserves

increased \$633,817, exceeding the target of \$600,000 set by the NCUA Board.

CLF's member credit unions or their designated agents purchase stock equal to one-half or one percent of unimpaired capital and surplus. Member equity on September 30 was \$505.3 million, compared with \$460.7 million the previous year.

CLF investments had an average maturity of 112 days at year end and the average yield in 1991 was 6.3 percent, compared to 6.2 percent for 90-day U.S. Treasury bills.



Financial Results

NCUA's financial condition remained strong during 1991. Careful budget management held expenses to 1.8 percent below budget. Revenue exceeded total expenses and the Operating Fund equity level grew from \$8.1 million to \$9.5 million during the fiscal year, October 1, 1990, through September 30, 1991.

The following pages contain the opinion of the independent accountants, Price Waterhouse, and the comparative financial statements of the Operating Fund for fiscal years 1991 and 1990. For the seventh consecutive year, the independent accountants rendered an unqualified opinion.

NCUA's operating expenses are accounted for jointly by the National Credit Union Share Insurance Fund and NCUA's Operating Fund. The allocation of expenses occurs monthly through a procedure known as the overhead transfer. The overhead transfer rate, based on an employee time survey, is set annually by the NCUA Board.

During fiscal year 1991, each fund was again charged 50 percent of actual costs. Of the total budget of \$77.2 million, \$75.8 million was actually spent.

Revenue to fund the expenses charged to the Operating Fund comes primarily from operating fees collected annually from federal credit unions. The fund also receives revenue from interest earned on short-term investments of cash held for current operations, sales of publications, fees charged for examinations when privately insured credit unions apply for federal insurance, and lesser amounts from other miscellaneous sources.

Actual revenue realized during fiscal year 1991 was about 0.5 percent higher than original budget projections. This slightly higher revenue, combined with below-budget expenses, resulted in revenue exceeding expenses by \$1.36 million. The result is a corresponding increase in the fund's equity balance.

Operating Fund Report and Financial Statements for the Years Ended September 30, 1991 and 1990

Report of Independent Accountants

To the Board of the National Credit Union Administration

In our opinion, the statements appearing on pages 16 through 20 of this report present fairly, in all material respects, the financial position of the National Credit Union Administration—Operating Fund at September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the National Credit Union Administration's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards and the financial audit requirements of *Government Auditing Standards* issued by the Comptroller General of the United States which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.



Price Waterhouse

Washington, DC

November 12, 1991

Operating Fund Balance Sheets

ASSETS	September 30,	
	1991	1990
Cash and cash equivalents	\$ 14,722,081	\$ 10,916,298
Due from National Credit Union Share Insurance Fund (Note C)	1,662,690	626,060
Employee advances	331,797	323,807
Other accounts receivable	491,328	649,181
Prepaid expenses	262,791	255,991
Office building and land, net of accumulated depreciation of \$148,397 and \$105,469	2,228,110	2,152,483
Furniture and equipment, net of accumulated depreciation of \$5,987,577 and \$4,781,457	2,598,256	3,317,099
Leasehold improvements, net of accumulated amortization of \$348,536 and \$215,327	208,243	328,687
Total assets	\$22,505,296	\$18,569,606
LIABILITIES AND FUND BALANCE		
Accounts payable	\$ 2,951,600	\$ 2,047,851
Accrued wages and benefits	3,781,730	2,599,835
Accrued annual leave	3,611,811	3,026,219
Accrued employee travel	737,858	763,325
Note payable to National Credit Union Share Insurance Fund (Note C)	1,908,766	1,980,766
Total liabilities	12,991,765	10,417,996
Fund balance:		
Available for operations	6,387,688	4,334,107
Invested in fixed assets, net	3,125,843	3,817,503
Total fund balance	9,513,531	8,151,610
Commitments (Note D)		
Total liabilities and fund balance	\$22,505,296	\$18,569,606

The accompanying notes are an integral part of these financial statements.

**Operating Fund Statements of Revenue, Expenses
and Changes in Fund Balance**

REVENUE	Year Ended September 30,	
	1991	1990
Operating fees	\$ 36,689,668	\$ 32,294,318
Interest	1,641,420	1,638,702
Other	955,320	339,513
Total revenue	39,286,408	34,272,533
EXPENSES (NOTE C)		
Employee wages and benefits	25,741,747	20,801,076
Travel	4,305,899	3,648,450
Rent, communications, and utilities	2,816,848	2,308,434
Contracted services	1,698,479	1,232,397
Other administrative expenses	3,361,514	3,805,484
Total administrative expenses	37,924,487	31,795,841
Excess of revenue over expenses	1,361,921	2,476,692
Fund balance at beginning of year	8,151,610	5,674,918
Fund balance at end of year	\$ 9,513,531	\$ 8,151,610

The accompanying notes are an integral part of these financial statements.

Operating Fund Statements of Cash Flows

	Year Ended September 30,	
	1991	1990
Cash flows from operating activities:		
Excess of revenue over expenses	\$ 1,361,921	\$ 2,476,692
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Depreciation and amortization	1,882,672	1,716,332
Changes in operating assets and liabilities:		
Amounts due from National Credit Union		
Share Insurance Fund	(1,036,630)	(434,339)
Employee advances	(7,990)	68,580
Other accounts receivable	157,853	(395,157)
Prepaid expenses	(6,800)	(8,946)
Accounts payable	903,749	552,321
Accrued wages and benefits	1,181,895	381,691
Accrued annual leave	585,592	116,959
Accrued employee travel	(25,467)	(97,599)
Net cash provided by operating activities	4,996,795	4,376,534
Cash flows from investing activities:		
Purchases of fixed assets	(1,119,012)	(453,225)
Proceeds from sale of fixed assets		11,946
Net cash used by investing activities	(1,119,012)	(441,279)
Cash flows from financing activities:		
Repayments of note payable	(72,000)	(72,000)
Net cash used by financing activities	(72,000)	(72,000)
Net increase in cash and cash equivalents	3,805,783	3,863,255
Cash and cash equivalents at beginning of year	10,916,298	7,053,043
Cash and cash equivalents at end of year	\$14,722,081	\$10,916,298

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements September 30, 1991 and 1990

Note A—Organization and Purpose

The National Credit Union Administration—Operating Fund (the Fund) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration Board for the purpose of providing administration and service to the Federal Credit Union System.

Note B—Significant Accounting Policies

Cash Equivalents

The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. All investments in fiscal years 1991 and 1990 were cash equivalents and are stated at cost which approximates market. Cash equivalents are highly liquid investments with original maturities of three months or less.

Depreciation and Amortization

Building, furniture and equipment, and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building and furniture and equipment and the shorter of the estimated useful life or

lease term for leasehold improvements. Estimated useful lives are forty years for the building and three to ten years for the furniture and equipment and leasehold improvements.

Operating Fees

The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding June 30. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes operating fee revenue ratably over the fiscal year.

Income Taxes

The Fund is exempt from Federal income taxes under §501(c)(1) of the Internal Revenue Code.

Note C—Transactions with the National Credit Union Share Insurance Fund (NCUSIF)

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board derived from an estimate of actual usage. The allocation factor was 50% to NCUSIF and the Fund in the years ended September 30, 1991 and 1990. The cost of the services allocated to NCUSIF, which totaled approximately \$37,924,000 and \$31,796,000 for the years ended September 30, 1991 and 1990, respectively, are

reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In fiscal year 1988, the Fund entered into a \$2,160,766 thirty-year term note with NCUSIF, for the purchase of a building. The note is being repaid in monthly principal installments of \$6,000 with interest at a variable rate. The average interest rate during fiscal years 1991 and 1990 was approximately 7.96% and 8.22%, respectively. The outstanding principal balance at September 30, 1991, was \$1,908,766. The total interest paid in fiscal years 1991 and 1990 was \$155,000 and \$166,000, respectively.

Note D—Commitments

The Fund leases office space under lease agreements which expire through 1998. Office rental charges for the years ended September 30, 1991 and 1990, amounted to approximately \$2,597,000 and \$2,640,000 of which approximately \$1,478,000 and \$1,320,000 was reimbursed by NCUSIF, respectively. In addition, the Fund leases office equipment under operating leases with lease terms less than one year.

The future minimum lease payments as of September 30, 1991, are as follows:

1992	\$2,401,711
1993	2,229,523
1994	1,747,742
1995	517,822
1996	202,934
Thereafter	405,869
	<u>\$7,505,601</u>

Based on the allocation factor approved by the NCUA Board for fiscal year 1991, NCUSIF will reimburse the Fund for approximately 50% of the future lease payments.

Note E—Retirement Plan

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund (CSRDF) which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plans employees can also elect additional contributions between 1% and 10% of their gross pay and the Fund will match up to 5% of the employees' gross pay. The Fund's contributions to the plans for the years ended September 30, 1991 and 1990, were approximately \$4,585,000 and \$3,605,000 of which \$2,292,000 and \$1,802,000 was reimbursed by NCUSIF, respectively.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the CSRDF and are not allocated to individual employers.

Credit Union

Statistics

FEDERAL CREDIT UNIONS

Consolidated Balance Sheet

December 31 (in thousands)

	1990	1991	Percentage Change
ASSETS			
Cash	\$ 2,819,650	\$ 3,268,024	15.9%
Loans outstanding	83,029,348	84,135,662	1.3
Allowance for loan losses	-783,932	-1,060,836	35.3
U.S. Gov/Fed Agency Securities	11,753,096	17,773,171	51.2
Commercial banks	7,152,405	8,232,385	15.1
S&Ls and mutual savings banks	6,335,082	6,606,805	4.3
Corporate credit unions	13,368,516	16,638,754	24.5
Mutual funds	902,467	1,857,391	105.8
NCUSIF capitalization deposit	1,048,313	1,146,938	9.4
Other investments	663,070	1,189,742	79.4
Total investments	\$ 41,222,949	\$ 53,445,185	29.6
Allowance for investment losses	-37,579	-31,081	-17.3
Land and building (net of depreciation)	1,693,734	1,784,599	5.4
Other fixed assets	666,927	665,186	-0.3
Other assets	1,461,855	1,708,866	16.9
Total assets	\$130,072,955	\$143,915,605	10.6
LIABILITIES			
Notes payable	1,029,424	1,420,503	38.0
Dividends payable	729,456	672,225	-7.8
Accounts payable and other liabilities	669,960	806,548	20.4
Total liabilities	\$ 2,428,840	\$ 2,899,376	19.4
EQUITY/SAVINGS			
Regular shares	50,808,955	59,378,570	16.9
Share certificates	26,671,113	24,497,666	-8.1
IRA/Keogh accounts	17,705,459	19,618,529	10.8
Share drafts	11,730,950	13,181,605	12.4
All other shares	10,975,463	13,465,098	22.7
Total savings	\$117,891,940	\$130,141,467	10.4
Regular reserves	3,890,369	4,152,402	6.7
Other reserves	1,268,067	1,385,231	9.2
Undivided earnings	4,593,738	5,337,129	16.2
Total equity/savings	\$127,644,115	\$141,016,229	10.5
Total liabilities/equity	\$130,072,955	\$143,915,605	10.6

1990 data has been revised to reflect the 1990 year end statistics for federally insured credit unions

Consolidated Income and Expense Statement
December 31 (in thousands)

	1990	1991	Percentage Change
INCOME			
Interest on loans	\$ 9,319,244	\$ 9,349,616	0.3%
Less: Interest refund	-9,321	-8,644	-7.3
Income from investments	3,152,746	3,308,210	4.9
Other operating income	770,021	906,869	17.8
Total gross income	\$13,232,689	\$13,556,052	2.4
EXPENSES			
Employee compensation and benefits	1,982,418	2,124,946	7.2
Travel and conference expenses	66,243	67,536	2.0
Office occupancy	251,878	274,732	9.1
Office operations expense	893,565	968,447	8.4
Educational and promotional	101,944	106,047	4.0
Loan servicing expense	133,667	151,719	13.5
Professional and outside services	321,034	341,625	6.4
Provision for loan losses	671,034	678,565	1.1
Provision for investment losses	5,767	4,377	-24.1
Member insurance	138,716	169,562	22.2
Operating fees	33,427	47,018	40.7
Miscellaneous operating expenses	130,674	132,231	1.2
Total operating expenses	\$ 4,730,366	\$ 5,066,805	7.1
NON-OPERATING GAINS OR LOSSES			
Gain (loss) on investments	2,279	22,399	882.8
Gain (loss) on disposition of assets	6,207	-8,124	-230.9
Other non-operating income (expense)	7,691	5,765	-25.0
Total income (loss) before cost of funds	\$ 8,518,500	\$ 8,509,286	-0.1
COST OF FUNDS			
Interest on borrowed money	83,165	70,038	-15.8
Dividends	7,372,331	7,182,590	-2.6
Net transfer to statutory reserves	\$ 222,366	\$ 169,502	-23.8
Net income (loss) after costs of funds and net reserve transfers	\$ 841,639	\$ 1,087,156	29.3

1990 data revised to reflect the 1990 year end statistics for federally insured credit unions

Note: Because of rounding, detail may not add to totals

Loans Outstanding

December 31 (in millions)

	1987	1988	1989	1990	1991
Loans outstanding	\$64,104	\$73,766	\$80,272	\$83,029	\$84,136
Allowance for loan losses	466	542	643	784	1,061
Regular reserves	2,764	3,163	3,538	3,890	4,152
Amount of delinquent loans	1,219	1,326	1,417	1,432	1,363
Loans charged off	448	522	612	653	690
Recoveries on loans	64	81	86	101	109
Provision for loan losses	418	489	589	671	679

SIGNIFICANT RATIOS (as a percentage of loans outstanding)

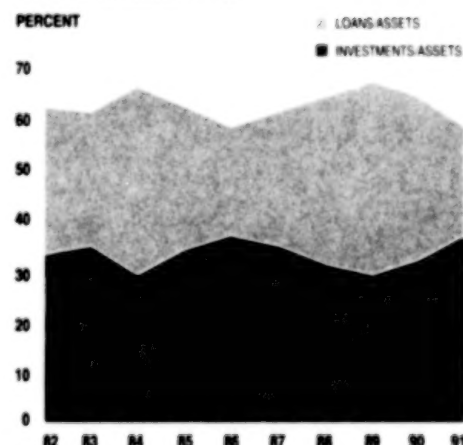
Allowance for loan losses	0.73%	0.73%	0.80%	0.94%	1.26%
Regular reserves	4.31	4.29	4.41	4.69	4.93
Delinquent loans	1.90	1.80	1.77	1.73	1.62
Loans charged off	0.70	0.71	0.76	0.79	0.82
Net loans charged off	0.60	0.60	0.66	0.67	0.69
Provision for loan losses	0.65	0.66	0.73	0.81	0.81

Percentage Distribution of Savings by Type of Account

December 31 (in millions)

Type of Account	1987	1988	1989	1990	1991
Regular shares	71.2%	68.1%	63.2%	62.4%	66.1%
Share drafts	10.0	9.7	10.0	10.0	10.1
Other regular shares	61.2	58.4	53.2	52.4	56.0
Share certificates	28.8	31.9	36.8	37.6	33.9
IRA and Keogh	14.2	14.2	14.6	15.0	15.1
Other certificates	14.6	17.7	22.2	22.6	18.8
Total savings	\$96,346	\$104,431	\$109,653	\$117,892	\$130,141

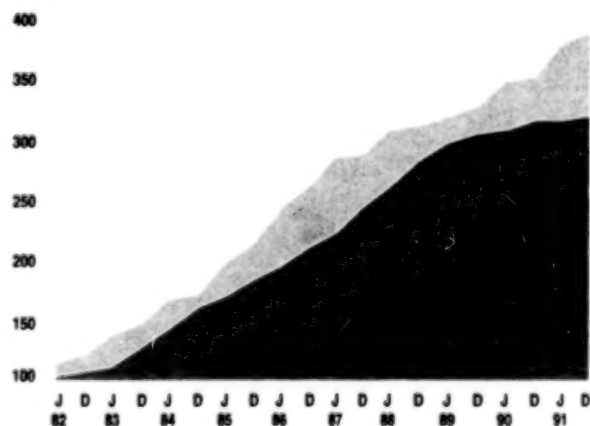
Loan and Investment Ratios



Index of Loan and Share Growth

(Index: December 1980=100%)

PERCENT



Annual Growth Rates in Reserves and Undivided Earnings

	1987	1988	1989	1990	1991
Total reserves	16.0%	15.3%	12.6%	11.3%	11.6%
Regular reserve	14.4	14.4	11.9	10.0	6.9
Other reserves	7.5	9.5	9.5	10.0	9.4
Undivided earnings	20.6	18.0	14.2	12.8	16.3

Federal Credit Unions by State December 31

	Number FCUs 1991	Assets (in millions) 1991	Assets (in millions) 1990	Percent Change 1990 to 1991
Alabama	122	\$ 1,992	\$ 1,829	8.9%
Alaska	16	1,454	1,290	12.7
Arizona	47	2,038	1,810	12.6
Arkansas	77	596	514	16.0
California	625	23,269	21,272	9.4
Colorado	119	2,656	1,974	34.6
Connecticut	187	2,615	2,427	7.7
Delaware	54	583	508	14.7
District of Columbia	95	2,064	1,964	5.1
Florida	193	7,877	7,086	11.2
Georgia	187	2,277	2,077	9.6
Guam	3	101	88	15.2
Hawaii	124	2,881	2,591	11.2
Idaho	43	579	532	8.9
Illinois	228	2,347	2,071	13.3
Indiana	266	4,662	4,348	7.2
Iowa	6	43	41	4.2
Kansas	40	425	387	9.9
Kentucky	104	1,220	1,103	10.6
Louisiana	273	2,167	1,915	13.2
Maine	99	1,390	1,310	6.1
Maryland	157	4,045	3,465	16.7
Massachusetts	229	3,742	3,855	-2.9
Michigan	210	4,586	4,225	8.5
Minnesota	61	1,973	1,791	10.2
Mississippi	115	790	704	12.3
Missouri	22	191	174	10.0

Note: Because of rounding, detail may not add totals

Number of Federal Credit Unions by Asset Size December 31

Asset Size	Number of FCUs	Percentage of Total	Cumulative Percentage
Less than \$50 thousand	123	1.5%	1.5%
\$50 to \$100 thousand	150	1.8	3.3
\$100 to \$250 thousand	462	5.6	8.9
\$250 to \$500 thousand	604	7.3	16.3
\$500 thousand to \$1 million	869	10.6	26.8
\$1 million to \$2 million	1,113	13.5	40.4
\$2 million to \$5 million	1,583	19.2	59.6
\$5 million to \$10 million	1,152	14.0	73.6
\$10 million to \$20 million	836	10.2	83.8
\$20 million to \$50 million	755	9.2	92.9
\$50 million to \$100 million	290	3.5	96.5
\$100 million and over	292	3.5	100.0
Total	8,229		

Federal Credit Unions by State

December 31 (continued)

	Number FCUs 1991	Assets (in millions) 1991	Assets (in millions) 1990	Percent Change 1990 to 1991
Montana	81	\$ 626	\$ 572	9.4%
Nebraska	67	735	666	10.3
Nevada	26	898	836	7.4
New Hampshire	17	551	533	3.4
New Jersey	393	3,812	3,490	9.2
New Mexico	38	1,163	1,015	14.6
New York	780	11,364	10,408	9.2
North Carolina	86	1,790	1,678	6.7
North Dakota	25	87	85	1.9
Ohio	431	3,473	3,204	8.4
Oklahoma	80	1,140	1,043	9.3
Oregon	118	1,600	1,469	8.9
Pennsylvania	924	6,884	6,216	10.7
Puerto Rico	31	202	184	10.0
Rhode Island	12	18	16	14.5
South Carolina	91	2,072	1,821	13.8
South Dakota	68	454	410	10.7
Tennessee	122	2,166	2,012	7.7
Texas	581	11,464	10,066	13.9
Utah	51	458	430	6.6
Vermont	7	184	160	15.2
Virgin Islands	5	15	12	26.7
Virginia	206	10,548	9,132	15.5
Washington	107	2,241	1,992	12.5
West Virginia	139	885	802	10.4
Wisconsin	2	189	164	15.3
Wyoming	39	332	296	12.3
Total	8,229	\$143,916	\$130,063	10.7%

Note: Because of rounding, detail may not add to totals

Federal Credit Unions by Asset Size

December 31

Asset Size	Assets (in thousands)	Percentage of Total	Cumulative Percentage
Less than \$50 thousand	\$ 2,491	0.0	0.0
\$50 to \$100 thousand	11,118	0.0	0.0
\$100 to \$250 thousand	81,906	0.1	0.1
\$250 to \$500 thousand	221,521	0.2	0.2
\$500 thousand to \$1 million	631,273	0.4	0.7
\$1 million to \$2 million	1,627,379	1.1	1.8
\$2 million to \$5 million	5,183,295	3.6	5.4
\$5 million to \$10 million	8,175,707	5.7	11.1
\$10 million to \$20 million	11,911,668	8.3	19.3
\$20 million to \$50 million	22,548,881	16.4	35.7
\$50 million to \$100 million	20,131,276	14.0	49.7
\$100 million and over	72,389,089	50.3	100.0
Total	\$143,915,605		

Total Investments 1987 to 1991

December 31 (in millions)

	1987	1988	1989	1990	1991
U.S. government obligations	\$ 4,439	\$ 4,123	\$ 3,138	\$ 3,912	\$ 6,080
Federal agency securities	5,979	6,840	6,737	7,842	11,693
Mutual funds	1,193	949	800	902	1,857
Deposits in commercial banks	4,134	3,394	5,787	7,152	8,232
Deposits in S&Ls and savings banks	10,840	9,744	7,111	6,335	6,607
Shares/deposits in corporate CUs	6,286	6,798	9,342	13,369	16,639
NCUSIF capitalization deposits	815	948	1,000	1,048	1,147
Investments in other CUs	189	267	225	165	284
Other investments ¹	2,435	2,549	535	499	906
Allowance for investment losses	-58	-58	-38	-38	-31
Total investments	\$36,253	\$35,554	\$34,636	\$41,186	\$53,414

PERCENTAGE BREAKDOWN PER YEAR

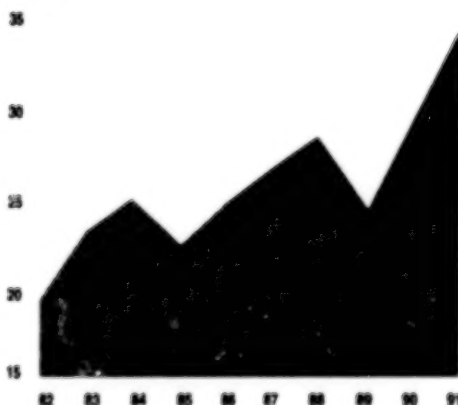
U.S. government obligations	12.2%	11.6%	9.1%	9.5%	11.4%
Federal agency securities	16.5	19.2	19.5	19.0	21.9
Mutual funds	3.3	2.7	2.3	2.2	3.5
Deposits in commercial banks	11.4	9.5	16.7	17.4	15.4
Deposits in S&Ls and savings banks	29.9	27.4	20.5	15.4	12.4
Shares/deposits in corporate CUs	17.3	19.1	27.0	32.5	31.2
Share insurance/other capital deposits	2.2	2.7	2.9	2.5	2.1
Investments in other CUs	0.5	0.8	0.6	0.4	0.5
Other investments ¹	6.7	7.2	1.5	1.2	1.7
Total investments	100.0	100.0	100.0	100.0	100.0

¹Includes loans to other credit unions, shares in the Central Liquidity Facility and other investments.

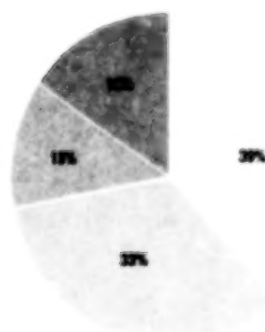
1987 and 1988 figures include all federal funds.

Long Term Investments as a
Percentage of Total Investments

PERCENT



Investments
(in billions)



CORPORATES AND OTHER	\$20.6
U.S. GOVERNMENT/FEDERAL AGENCIES	17.8
OTHER FINANCIAL INSTITUTIONS	8.9
COMMERCIAL BANKS	8.2

CAMEL Rating System
December 31, Number by Categories

EWS/CAMEL											
Category	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	Change
Codes 1 and 2	7,093	7,365	7,425	7,250	6,536	5,800	5,649	5,551	5,170	4,553	-617
Code 3	3,751	2,855	2,623	2,460	2,734	3,063	2,919	2,857	2,953	3,266	313
Code 4	661	646	451	375	440	486	480	386	367	381	14
Code 5	126	97	48	40	48	52	70	27	21	29	8
Total	11,631	10,963	10,547	10,125	9,758	9,401	9,116	8,821	8,511	8,229	-282

EWS (Early Warning System) replaced by CAMEL Rating System in 1987.

Federal Credit Unions Experiencing Losses
December 31

Year	Number of Federal Credit Unions	Number Experiencing Losses	Percentage of Total	Negative Earnings (in thousands)
1982	11,631	2,572	22.1%	\$ 63,098
1983	10,963	2,443	22.3	45,434
1984	10,547	1,041	9.9	18,555
1985	10,125	1,178	11.6	31,604
1986	9,758	1,360	13.9	43,805
1987	9,401	1,481	15.8	71,410
1988	9,118	1,074	11.8	78,212
1989	8,821	1,008	11.4	126,383
1990	8,511	1,043	12.3	169,260
1991	8,229	903	11.0	\$143,501

Federal Credit Unions Experiencing Losses by Asset Size
December 31

Asset Size	Number of FCUs	Assets	1991 Losses	Reserves and Undivided Earnings
Less than \$1 million	342	\$ 143,298,193	\$ 3,034,832	\$ 14,916,396
\$1 million to \$2 million	133	193,657,780	2,055,563	15,314,106
\$2 million to \$5 million	191	626,350,286	7,208,891	39,362,995
\$5 million to \$10 million	101	723,481,441	7,773,331	38,196,187
\$10 million to \$20 million	66	924,406,228	10,376,955	45,454,880
\$20 million to \$50 million	49	1,430,014,976	28,003,671	43,613,992
\$50 million and over	21	2,186,155,951	85,047,691	-20,059,349
Total	903	\$6,227,364,855	\$143,500,934	\$176,799,207

Selected Data for Federal Credit Unions
December 31, 1935 to 1991

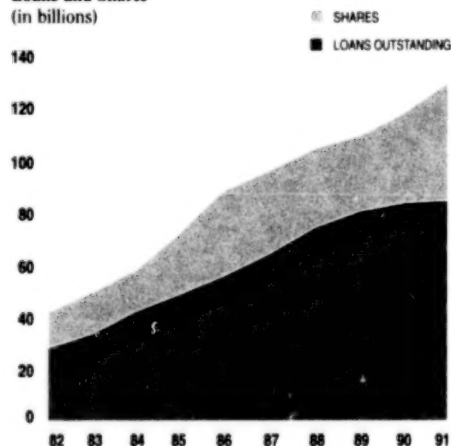
Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	(amounts in thousands of dollars)		
								Assets ¹	Shares ¹	Loans Outstanding
1935 ¹	828		828	906	134	772	119,420	\$ 2,372	\$ 2,228	\$ 1,834
1936	956	4	952	1,858	107	1,751	309,700	9,158	8,511	7,344
1937	638	69	569	2,427	114	22,313	483,920	19,265	17,650	15,695
1938	515	83	432	2,859	99	2,760	632,050	29,629	26,876	23,830
1939	529	93	436	3,295	113	3,182	850,770	47,811	43,327	37,673
1940	666	76	590	3,855	129	3,756	1,127,940	72,530	65,806	55,818
1941	583	89	494	4,379	151	4,228	1,408,880	106,052	97,209	69,485
1942	187	89	98	4,477	332	4,145	1,356,940	119,591	109,822	43,053
1943	108	321	213	4,264	326	3,938	1,311,620	127,329	117,339	35,376
1944	69	285	216	4,048	233	3,815	1,306,000	144,365	133,677	34,438
1945	96	185	89	3,959	202	3,757	1,216,625	153,103	140,614	35,155
1946	157	151	6	3,965	204	3,761	1,302,132	173,166	159,718	56,801
1947	207	159	48	4,013	168	3,845	1,445,915	210,376	192,410	91,372
1948	341	130	211	4,224	166	4,058	1,628,339	258,412	235,008	137,642
1949	523	101	422	4,646	151	4,495	1,819,606	316,363	285,001	186,218
1950	565	83	482	5,128	144	4,984	2,126,823	405,835	361,925	263,736
1951	533	75	458	5,586	188	5,398	2,463,898	504,715	457,402	299,756
1952	692	115	577	6,163	238	5,925	2,853,241	662,409	597,374	415,062
1953	825	132	693	6,856	278	6,578	3,255,422	854,232	767,571	573,974
1954	852	122	730	7,586	359	7,227	3,598,790	1,033,179	931,407	681,970
1955	777	188	589	8,175	369	7,806	4,032,220	1,267,427	1,135,165	863,042
1956	741	182	559	8,734	384	8,350	4,502,210	1,529,202	1,366,258	1,049,189
1957	662	194	468	9,202	467	8,735	4,897,689	1,788,768	1,589,191	1,257,319
1958	586	255	331	9,533	503	9,030	5,209,912	2,034,866	1,812,017	1,379,724
1959	700	270	430	9,963	516	9,447	5,643,248	2,352,813	2,075,055	1,666,526
1960	685	274	411	10,374	469	9,905	6,087,378	2,669,734	2,344,337	2,021,463
1961	671	265	406	10,780	509	10,271	6,542,603	3,028,294	2,673,488	2,245,223
1962	601	284	317	11,097	465	10,632	7,007,630	3,429,805	3,020,274	2,560,722
1963	622	312	310	11,407	452	10,955	7,499,747	3,916,541	3,452,615	2,911,159
1964	580	323	257	11,664	386	11,278	8,092,030	4,559,438	4,017,393	3,349,068
1965	584	270	324	11,978	435	11,543	8,640,560	5,165,807	4,538,461	3,864,809
1966	701	318	383	12,361	420	11,941	9,271,967	5,668,941	4,944,033	4,323,943
1967	636	292	344	12,705	495	12,210	9,873,777	6,208,158	5,420,633	4,677,480
1968	662	345	317	13,022	438	12,584	10,508,504	6,902,175	5,986,181	5,398,052
1969	705	323	382	13,404	483	12,921	11,301,805	7,793,573	6,713,385	6,328,720

¹Data for 1935-44 are partly estimated.

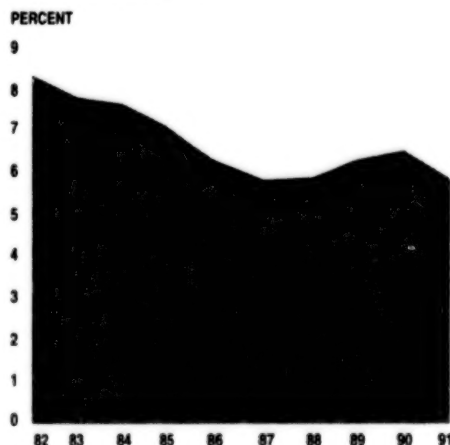
Selected Data for Federal Credit Unions
December 31, 1935 to 1991 (continued)

Year	Charters Issued	Charters Canceled	Net Change	Total Outstanding	Inactive Credit Unions	Active Credit Unions	Members	(amounts in thousands of dollars)		
								Assets	Shares	Loans Outstanding
1970	563	412	151	13,555	578	12,977	11,966,181	\$ 8,860,612	\$ 7,628,805	\$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	45,482,943	41,340,911	28,184,280
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,828	87,953,642	55,304,682
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	118	8,511	36,241,607	130,072,955	117,891,940	83,029,348
1991	14	291	-277	8,352	123	8,229	37,065,882	143,915,605	130,141,467	84,135,662

Loans and Shares
(in billions)



Effective Cost of Shares



Federal Credit Union Data 10 Year Summary, 1982 to 1991

December 31 (dollar amounts in millions)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Number of credit unions	11,631	10,976	10,548	10,125	9,758	9,401	9,118	8,821	8,511	8,229
Number of members	26,114,649	26,798,799	28,191,922	29,578,808	31,041,142	32,066,542	34,438,304	35,612,317	36,241,607	37,065,882
Assets	\$45,483	\$54,482	\$63,656	\$78,188	\$95,484	\$105,190	\$114,565	\$120,666	\$130,073	143,916
Loans outstanding	28,184	33,201	42,133	48,241	55,305	64,104	73,766	80,272	83,029	84,136
Shares	41,341	49,889	57,929	71,616	87,954	96,346	104,431	109,653	117,892	130,141
Reserves ¹	1,773	2,007	2,541	2,884	3,312	3,725	4,216	4,690	5,158	5,538
Undivided earnings	1,118	1,281	1,592	2,063	2,506	3,023	3,567	4,072	4,594	5,337
Gross income	5,406	6,064	7,454	8,526	9,416	10,158	11,173	12,420	13,233	13,556
Operating expenses	1,822	2,045	2,314	2,674	3,115	3,585	3,931	4,364	4,730	5,067
Dividends	3,185	3,573	4,413	5,090	5,506	5,624	6,148	6,910	7,372	7,183
Reserve transfers	147	166	260	282	250	237	232	265	222	170
Net income	244	287	473	521	626	688	799	781	841	1,087

PERCENT CHANGE

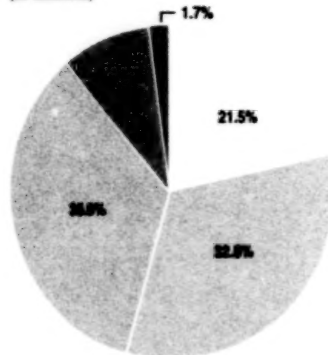
Total assets	16.1%	19.8%	16.8%	22.8%	22.1%	10.2%	8.9%	5.3%	7.8%	10.6%
Loans outstanding	3.5	17.8	26.9	14.5	14.6	15.9	15.1	8.8	3.4	1.3
Savings	17.3	20.6	16.1	23.6	22.8	9.5	8.4	5.0	7.5	10.4
Reserves	9.9	13.2	22.1	17.7	14.8	12.5	13.2	11.2	10.0	7.4
Undivided earnings	23.4	14.6	24.3	29.6	21.5	20.6	18.0	14.2	12.8	16.2
Gross income	15.5	12.2	22.9	14.4	10.4	7.9	10.0	11.2	6.5	2.4
Operating expenses	9.8	12.2	13.2	15.6	16.5	15.1	9.7	11.0	8.4	7.1
Dividends	19.9	12.2	23.5	15.3	8.2	2.1	9.3	12.4	6.7	-2.6
Net reserve transfers	0.0	12.9	56.6	8.5	-11.3	-5.2	-2.1	14.2	-16.1	-23.8
Net income	11.4	17.6	64.8	10.1	20.2	9.9	16.1	-2.3	7.6	29.3

SIGNIFICANT RATIOS

Reserves to assets	3.9%	3.7%	3.9%	3.7%	3.5%	3.5%	3.7%	3.9%	4.0%	3.8%
Reserves and undivided earnings to assets	6.4	6.0	6.4	6.3	6.1	6.4	6.8	7.3	7.5	7.6
Reserves to loans	6.3	6.0	5.8	6.0	6.1	5.8	5.7	5.8	6.2	6.6
Loans to shares	68.2	66.5	72.7	67.4	62.9	66.5	70.6	73.2	70.4	64.6
Operating expenses to gross income	33.7	33.7	31.0	31.4	33.1	35.3	35.2	35.1	35.7	37.4
Salaries and benefits to gross income	14.1	14.4	13.6	13.6	14.1	14.6	14.8	14.7	15.0	16.2
Dividends to gross income	58.9	58.9	59.2	59.7	58.5	55.4	55.0	55.6	55.7	53.0
Yield on average assets	12.8	12.1	11.7	12.0	10.8	10.1	10.2	10.6	10.6	9.9
Cost of funds to average assets	7.5	7.1	7.0	7.2	6.4	5.6	5.7	6.0	5.9	5.3
Gross spread	5.3	5.0	4.7	4.8	4.5	4.5	4.5	4.6	4.6	4.6
Net income divided by gross income	4.5	4.7	6.3	6.1	6.6	6.8	7.2	6.3	6.4	8.0
Yield on average loans	13.6	13.7	12.4	13.5	12.7	11.6	11.3	11.5	11.4	11.2
Yield on average investments	12.3	10.2	11.0	9.5	7.9	7.7	7.9	8.4	8.3	7.0

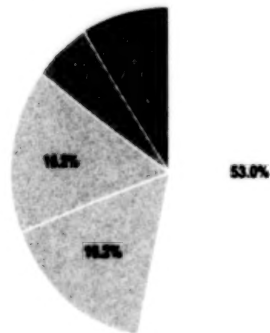
¹Does not include the allowance for loan losses

Loan Distribution
(in millions)



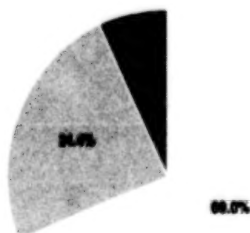
UNSECURED	\$18,130
AUTO LOANS	27,615
REAL ESTATE	29,460
OTHER LOANS TO MEMBERS	7,550
MISCELLANEOUS	58
AGRICULTURAL	1,001
COMMERCIAL	321
NONMEMBER LOANS	

Uses of Funds
(in millions)



DIVIDENDS	\$7,183
GENERAL & ADMINISTRATIVE	2,196
SALARIES/BENEFITS	2,192
RETAINED EARNINGS	847
TRANSFERS TO REGULAR AND OTHER RESERVES	1,139

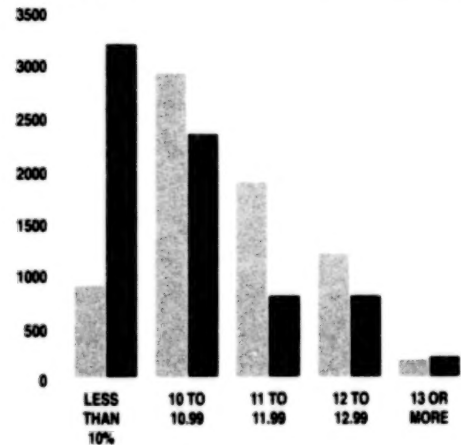
Sources of Income
(in millions)



LOANS	\$9,350
INVESTMENTS	3,306
OTHER	896

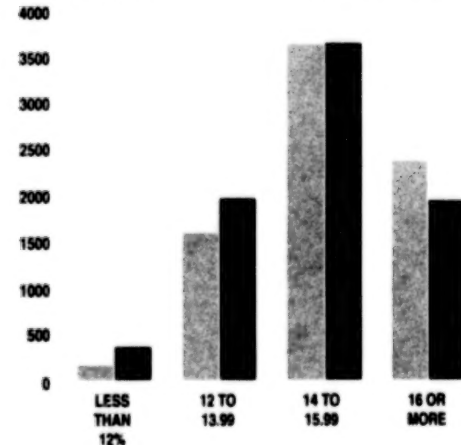
Distribution of Interest Rates
New Car Loans

NUMBER OF LOANS



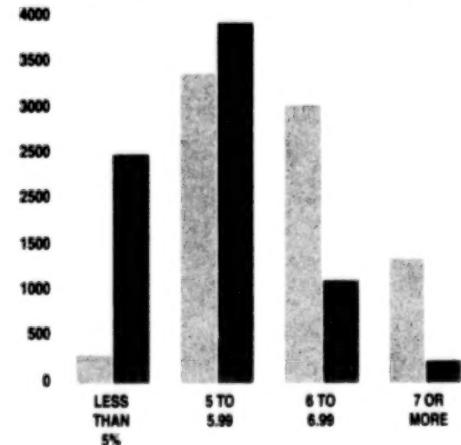
Distribution of Interest Rates
Unsecured Loans

NUMBER OF LOANS



Distribution by Dividend Rates
Regular Shares

NUMBER OF LOANS



STATE CREDIT UNIONS

Federally Insured State Credit Union Data 10 Year Summary, 1982 to 1991

December 31 (dollar amounts in millions)

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
Number of credit unions	5,023	4,915	4,645	4,920	4,935	4,934	4,760	4,552	4,349	4,731
Number of members	13,113,393	14,277,816	15,205,029	15,689,048	17,362,780	17,998,921	18,518,969	18,939,127	19,453,940	21,000,640
Assets	\$24,089	\$27,479	\$29,188	\$41,525	\$52,244	\$56,972	\$60,740	\$63,175	\$68,133	\$81,241
Loans outstanding	15,282	17,215	19,951	26,168	30,834	35,436	39,977	42,373	44,102	48,190
Shares	21,636	24,297	26,327	37,917	48,097	52,083	55,217	57,658	62,082	73,880
Reserves ¹	1,250	1,341	1,409	1,781	2,147	2,423	2,612	2,872	3,047	3,559
Undivided earnings	601	655	728	1,065	1,253	1,458	1,651	1,945	2,241	2,864
Gross income	2,879	3,062	3,428	4,508	5,117	5,483	5,973	6,529	6,967	7,717
Operating expenses	981	1,024	1,060	1,364	1,655	1,884	2,078	2,216	2,412	2,796
Dividends	1,584	1,747	1,975	2,684	3,004	3,049	3,290	2,930	3,908	4,121
Reserve transfers	131	130	179	227	201	184	158	150	118	95
Net income	190	165	219	256	288	355	470	457	509	698

PERCENT CHANGE

Total assets	6.7%	14.1%	6.2%	42.3%	25.8%	9.0%	6.6%	4.0%	7.8%	19.2%
Loans outstanding	-0.4	12.6	15.9	31.2	17.8	14.9	12.8	6.0	4.1	9.3
Savings	8.1	12.3	8.4	44.0	26.8	8.3	6.0	4.4	7.7	19.0
Reserves	5.0	7.3	5.1	26.4	20.6	12.9	7.8	10.0	6.1	16.8
Undivided earnings	18.3	9.0	11.1	46.3	17.7	16.4	13.2	17.8	15.2	27.8
Gross income	4.9	6.4	12.0	31.5	13.5	7.2	8.9	9.3	6.7	10.8
Operating expenses	8.4	4.4	3.5	28.7	21.3	13.8	10.3	6.6	8.8	15.9
Dividends	1.9	10.3	13.1	35.9	11.9	1.5	7.9	-10.9	33.4	5.5
Net reserve transfers	2.3	-0.8	37.7	26.8	-11.5	-8.5	-14.1	-5.1	-21.3	-19.5
Net income	15.9	-13.2	32.7	16.9	12.5	23.3	32.4	-2.8	11.4	37.1

SIGNIFICANT RATIOS

Reserves to assets	5.2%	4.9%	4.8%	4.3%	4.1%	4.3%	4.3%	4.5%	4.5%	4.4%
Reserves and undivided earnings to assets	7.7	7.3	7.3	6.9	6.5	6.8	7.0	7.6	7.8	7.9
Reserves to loans	8.2	7.8	7.1	6.8	7.0	6.8	6.5	6.8	6.9	7.4
Loans to shares	70.6	70.9	75.8	69.0	64.1	68.0	72.4	73.5	71.0	65.2
Operating expenses to gross income	34.1	33.4	30.9	30.3	32.3	34.4	34.8	33.9	34.6	36.2
Salaries and benefits to gross income	14.0	14.4	13.6	13.4	13.9	14.5	14.5	14.4	14.7	15.3
Dividends to gross income	55.0	57.1	57.6	59.5	58.7	55.6	55.1	44.9	56.1	53.4
Yield on average assets	12.3	11.9	12.1	12.7	11.2	10.4	10.1	10.5	10.6	10.3
Cost of funds to average assets	7.0	6.9	7.1	7.6	6.4	5.5	5.5	5.9	6.0	5.5
Gross spread	5.3	5.0	5.0	5.1	4.5	4.3	4.6	4.6	4.6	4.6
Net income divided by gross income	6.6	5.4	6.4	5.7	5.6	6.5	7.9	7.0	7.3	9.0
Yield on average loans	13.3	13.3	13.2	14.3	12.7	11.1	11.2	11.4	11.4	11.7
Yield on average investments	11.4	9.9	10.5	10.0	8.0	7.5	7.9	8.4	8.5	7.3

¹Does not include the allowance for loan losses

CORPORATE CREDIT UNION DATA

Federal Corporate Credit Unions

December 31

Corporate Name	City, State	Assets (in millions)
Capital Corporate	Landover, Maryland	\$ 794.1
Colorado Corporate	Arvada, Colorado	818.1
Eastern Corporate	Stoneham, Massachusetts	706.5
Empire Corporate	Albany, New York	1,752.4
Indiana Corporate	Indianapolis, Indiana	733.8
Kentucky Corporate	Louisville, Kentucky	223.0
LICU Corporate	Endicott, New York	7.6
Mid-Atlantic Corporate	Harrisburg, Pennsylvania	1,175.8
Mid-States Corporate	Naperville, Illinois	2,528.7
Nebraska Corporate Central	Omaha, Nebraska	123.6
Pacific Corporate	Honolulu, Hawaii	340.8
RICUL Corporate	Warwick, Rhode Island	214.0
South Dakota Corporate Central	Sioux Falls, South Dakota	60.1
Southeast Corporate	Tallahassee, Florida	1,372.6
Southwest Corporate	Dallas, Texas	4,806.7
Tricorp Federal Credit Union	Westbrook, Maine	380.2
Virginia League Corporate	Lynchburg, Virginia	560.0
Western Corporate	Pomona, California	8,406.0
Total		\$25,003.9

Federally Insured State Corporate Credit Unions

December 31

Corporate Name	City, State	Assets (in millions)
Alabama Corporate	Birmingham, Alabama	\$ 381.3
Central Credit Union Fund, Inc.	Worcester, Massachusetts	228.9
Constitution State Corporate	South Wallingford, Connecticut	813.0
Corporate Central Credit Union	Salt Lake City, Utah	200.6
Corporate Credit Union of Arizona	Phoenix, Arizona	440.2
Corporate One	Columbus, Ohio	882.3
Federacion de Cooperativas	San Juan, Puerto Rico	80.2
First Carolina Corporate	Greensboro, North Carolina	496.2
Georgia Central	Duluth, Georgia	827.4
Iowa League Corporate	Des Moines, Iowa	291.4
Louisiana Corporate	New Orleans, Louisiana	91.8
Minnesota Corporate	St. Paul, Minnesota	360.5
Oklahoma Corporate	Tulsa, Oklahoma	345.8
Oregon Corporate Central	Beaverton, Oregon	343.1
The Carolina Corporate	Columbia, South Carolina	228.1
Total		\$ 6,010.8
U.S. Central Credit Union	Overland Park, Kansas	\$28,511.0

Note: To prevent double counting of assets, U.S. Central Credit Union is excluded from total.

Key Statistics on Federally Insured Corporate Credit Unions
December 31 (Dollar amounts in millions)

	1987	1988	1989	1990	1991
Number	30	30	30	31	33
Assets	\$12,473.4	\$13,996.9	\$17,206.4	\$25,493.8	\$31,014.8
Loans	1,302.8	1,584.7	1,026.2	1,172.4	1,172.8
Shares	10,599.4	11,234.6	14,501.6	20,012.3	25,856.9
Reserves	126.8	146.6	172.5	218.0	315.1
Undivided earnings	56.2	69.6	82.6	96.9	120.1
Gross income	927.5	1,084.1	1,485.4	1,904.1	1,928.3
Operating expenses	29.5	33.8	41.6	54.9	70.6
Interest on borrowing	75.7	139.7	260.0	323.9	285.5
Dividends and interest on deposits	790.6	877.4	1,145.4	1,465.5	1,457.6
Reserve transfers	17.5	16.8	18.8	27.8	18.0
Net income	14.7	17.2	19.9	32.5	74.2

SIGNIFICANT RATIOS

Reserves to assets	1.0%	1.0%	1.0%	0.9%	1.0%
Reserves and undivided earnings to assets	1.5	1.5	1.5	1.2	1.4
Reserves to loans	9.7	9.3	16.8	18.6	26.9
Loans to shares	12.2	14.1	7.1	5.9	4.5
Operating expenses to gross income	3.2	3.1	2.8	2.9	3.7
Salaries and benefits to gross income	1.3	1.3	1.1	1.0	1.3
Dividends to gross income	85.2	80.9	77.1	77.0	75.6
Yield on average assets	7.3	8.2	9.5	8.9	6.8
Cost of funds to average assets	6.8	7.7	9.0	8.4	6.2
Gross spread	0.5	0.5	0.5	0.5	0.6
Net income divided by gross income	1.6	1.6	1.3	1.7	3.8
Yield on average loans	7.5	9.1	13.3	9.8	8.0
Yield on average investments	7.6	8.2	9.5	9.1	6.9

Note: To prevent double counting, U.S. Central Credit Union is excluded from totals.



Historical Highlights

- 1909** ■ First U. S. credit union established in New Hampshire
- 1909** ■ Massachusetts enacts first credit union statute
- 1934** ■ Congress approves Federal Credit Union Act
- 1970** ■ Congress establishes independent National Credit Union Administration
- 1970** ■ Congress approves deposit insurance for credit unions, creates National Credit Union Share Insurance Fund
- 1979** ■ Three-member board replaces NCUA administrator
- 1979** ■ Congress creates Central Liquidity Facility
- 1985** ■ Credit unions recapitalize Share Insurance Fund
- 1986** ■ Congress says Share Insurance Fund backed by "full faith and credit of United States Government"
- 1991** ■ NCUA Board levies the first insurance premium since 1984



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Vice Chairman

Robert H. Swan
Member of the Board

Donald E. Johnson
Executive Director

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Robert M. Fenner
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*Director
Office of Examination
and Insurance*

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Office of Public and
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Controller

Joan E. Perry
Inspector General

Benny R. Henson
*Director
Office of Administration*

Dorothy W. Foster
*Director
Office of Human Resources*

Joseph W. Visconti
*Director
Office of Information Systems*

Ronald Lewandowski
*Acting President
Central Liquidity Facility*

■ *Chairman Roger W. Jepsen, former member of the United States Senate from Iowa, was appointed by President Ronald Reagan in 1985 to an unexpired term and to a full six-year term in 1987.*

■ *Vice Chairman Shirlee Pearson Bowné was a real estate broker and a member of the board of the Florida Housing Finance Agency when she was appointed by President Bush in 1991.*

■ *Member Robert H. Swan, former president of Tooele Federal Credit Union and former Utah deputy director of finance, was appointed by President Bush. He took office in 1990.*

Field Offices



Region I

Layne L. Bumgardner, Director
9 Washington Square
Albany, NY 12205
518-472-4554
Fax 518-869-1788



Region II

Foster C. Bryan, Director
1776 G Street Northwest, #800
Washington, DC 20006
202-682-1900
Fax 202-789-2043



Region III

H. Allen Carver, Director
7000 Central Parkway, #1600
Atlanta, GA 30328
404-396-4042
Fax 404-698-8211



Region IV

Nicholas Veghts, Director
300 Park Boulevard, #155
Itasca, IL 60143
708-250-6000
Fax 312-886-9707



Region V

John S. Ruffin, Director
4807 Spicewood Springs Road, #5200
Austin, TX 78759-8490
512-482-4500
Fax 512-482-4511



Region VI

Daniel L. Murphy, Director
2300 Clayton Road, #1350
Concord, CA 94520
510-825-6125
Fax 510-486-3729



Asset Liquidation Management Center

J. Leonard Skiles, President
4807 Spicewood Springs Road, #5100
Austin, TX 78759-8490
512-482-4550
Fax 512-482-4569

Information

General information	202-682-9650
Office of the Board	202-682-9600
News about NCUA	800-755-1030 202-682-9660
Credit union data	202-682-9700
Credit union investments	800-755-5999
Member complaints	All regional offices
To report improper or illegal activity	800-827-9650

END

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